Legal guidelines exist to ensure fair practices

95% of American families, according to a 2019 poll by The Federal Deposit Insurance Corporation (FDIC), have at least one family member with a checking or savings account.1 Americans may generally feel secure knowing their money is guaranteed and safeguarded by the federal government thanks to the security offered by banks, credit unions, and other reliable financial organizations. Here are five significant federal statutes that facilitate it.

Five Important U.S. Banking Laws

There is a complex network of regulations that control the American financial industry, many of which date back several generations. It would be hard to briefly summarize every significant item of legislation that contributed to the development of the current system in the United States. But among the most important steps done by Congress to improve the banking industry and the greater financial system are the next five measures.

1. National Bank Act of 1864

The National Bank Act of 1864, albeit technically the second National Bank Act—a previous version had been approved the previous year—marked the beginning of the federal government's active supervision of commercial banks. This law established the Office of the Comptroller of the Currency, whose duties included approving the establishment of, inspecting, and monitoring all national banks.

2. Federal Reserve Act of 1913

The Federal Reserve Act of 1913 established the Federal Reserve System to regulate it, much as the National Bank Act had established a national banking system. The Federal Reserve, sometimes known as "The Fed," had the responsibility of acting as the nation's central bank and promoting economic stability. The Federal Reserve, also known as the Fed, is the organization responsible for changing interest rates as necessary to maintain inflation control and economic growth.

3. Glass-Seagull Act of 1933

The Glass-Seagull Act continues to have a significant impact even if a large portion of it was abolished in recent years. The government Deposit Insurance Corporation (FDIC), an independent government agency that protects bank deposits in the event that a bank fails, is the most significant contribution it made that is still in existence.5 This was a reaction to the Great Depression, which witnessed widespread bank destruction as a result of enormous bank runs,

which sparked the legendary financial crisis. Currently, the FDIC covers the majority of American bank accounts up to a set amount.

4. Bank Secrecy Act of 1970

The purpose of this law, commonly referred to as the Currency and Foreign Transactions Reporting Act, is to prevent money laundering. According to the Internal Revenue Service, it mandates that firms "keep records and file reports that are judged to have a high degree of value in criminal, tax, and regulatory concerns."7

These documents may be used as evidence in both local and foreign inquiries once they have been submitted. The money kept in foreign bank and financial accounts, as well as cash payments above $10,000 received by a trade or corporation, are of special interest to law enforcement organizations tasked with monitoring suspected money laundering operations.

5. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

Dodd-Frank was the federal government's response to the financial crisis of 2007-2008 and the accompanying Great Recession, much like Glass-Steagall was developed as a response to the Great Depression. Dodd-Frank established new rules for banks, mortgage lenders, and credit rating agencies with the goal of tackling the specific areas of the financial system that had contributed to the crisis. In order to regulate the application of consumer laws, it also established the Consumer Financial Protection Bureau (CFPB).

Since then, Dodd-Frank has experienced a number of rollbacks, with the most recent occurring in the shape of the Tax Cuts and Jobs Act of 2018, which relaxed several bank restrictions.

Who Regulates the U.S. Banking System?

In the United States, banks are subject to a variety of federal and state regulations, mostly based on their kind of charter. National banks are governed by the Office of the Comptroller of the Currency, whereas state-chartered banks that are participants in the Federal Reserve System are governed by the Federal Reserve, which also oversees bank holding corporations in addition to other things. State banks that do not belong to the Federal Reserve System are governed by the Federal Deposit Insurance Corporation, and state-chartered banks are subject to state regulation as well.

Can the U.S. Government Regulate International Banking?

Yes, it can in some instances. For instance, the Federal Reserve controls international bank branches and agencies operating on American land with state

licenses.12 Foreign banks with U.S. operations were subject to a variety of state restrictions prior to the International Banking Act of 1978. The IRS will also investigate gains generated in overseas bank accounts since they are regarded as taxable income and need to be declared as such. The Basel Committee on Banking Supervision, which establishes global norms for bank supervision, also has a significant impact on the U.S.

Who Benefits From U.S. Banking Laws?

Although some banks and other organizations might prefer a less regulated system, it would be simple to claim that everyone benefits from strict bank regulation. For the typical American consumer, bank laws protect their savings and enable them to borrow money on reasonable terms when they need it. Bank rules offer those same benefits to business owners while also providing them with instructions for abiding by the law. Last but not least, effective bank regulation helps the American government tackle the next crisis more effectively.

Are Credit Unions Also Regulated Like Banks?

Yes, and similarly to banks, credit unions in the United States can be incorporated at the state or federal level, which has an impact on how they are governed. The National Credit Union Administration, an independent federal organization that also insures federal and several state credit unions, regulates federal credit unions.14

the conclusion

For the American economy to remain robust, the banking system is crucial. Regulation of banks can make sure that they play by the same set of rules and compete fairly. Additionally, it can support preserving customers' faith in the fairness of the treatment they receive whether making a deposit, applying for a loan, or using any of the numerous other services that banks already provide.